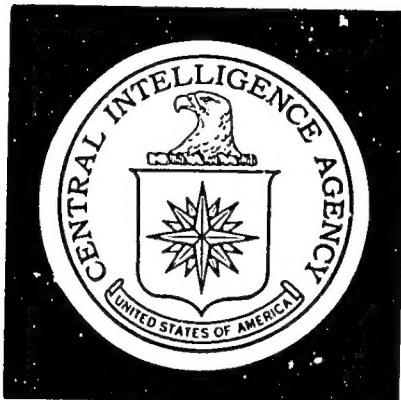


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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY
Special Report

Venezuela at the Crossroads

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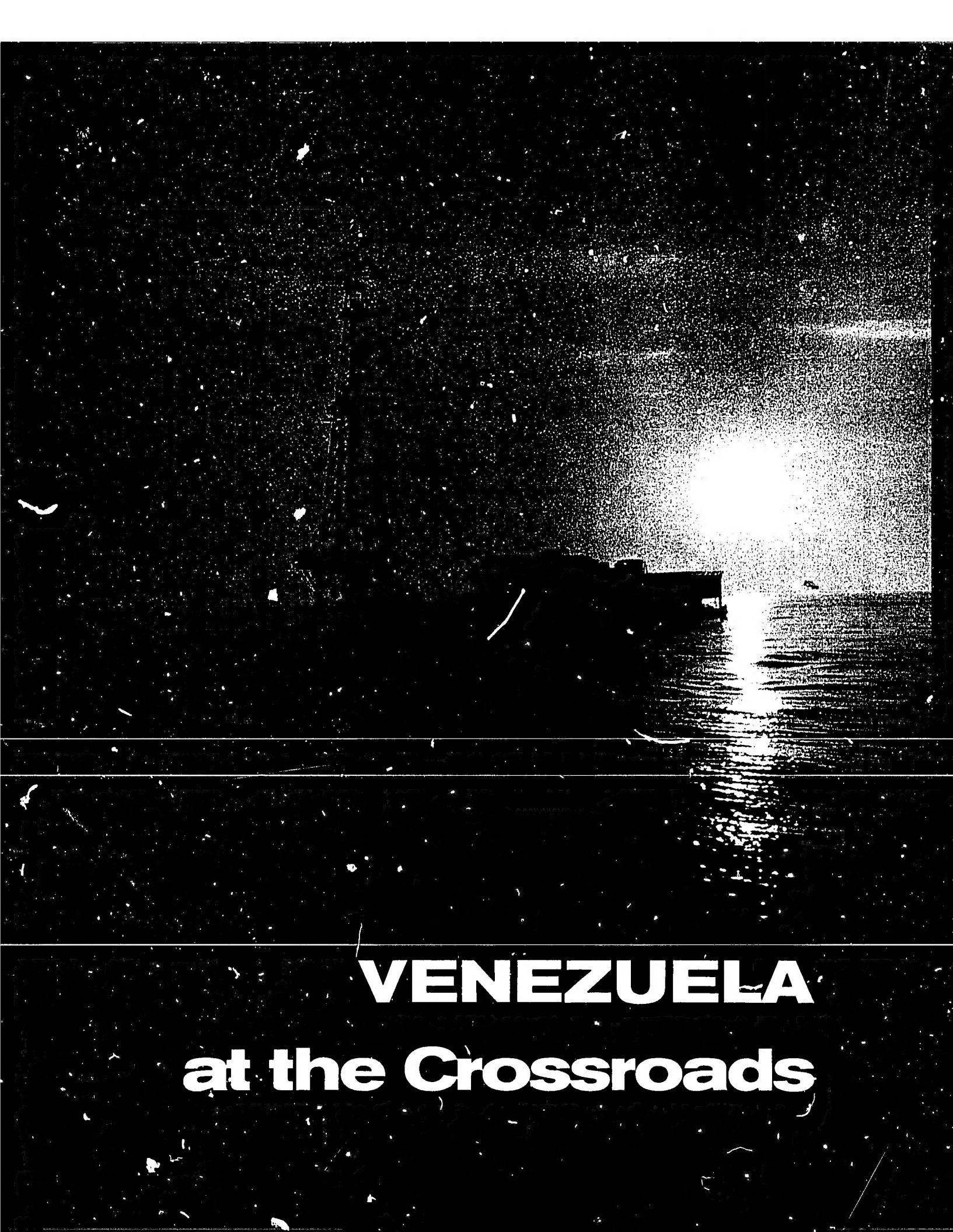
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VENEZUELA
at the Crossroads

The Venezuelans have arrived at a crossroads in their national life. Christian Democratic President Caldera has set the country on a course that could produce progress in some fields but could just as easily jeopardize Venezuela's continued development and stability. Among his notable successes in foreign policy, he has deflated border problems with neighboring countries and has marked out a leadership role for Venezuela in Caribbean affairs. On the other hand, his government has produced a succession of highly nationalistic laws and regulations that are certain to provoke contention with the international oil companies on which the economy largely depends.



In his last days, Bolivar characterized his countrymen as being among the most "turbulent and seditious" on the continent and correctly predicted that they would fall victim to "an unbridled crowd of petty tyrants."

While exhibiting great self-assurance as a major oil producer and as a strategic Latin American country, Venezuela is showing insecurity about its own institutions at home. The most remarkable aspect of a loss of confidence in its hard-won democratic system is the new popularity of former dictator Marcos Perez Jimenez.

As a latecomer to the latest leftist-nationalist current in Latin American nations, Venezuela has the advantage of others' experience from which to draw. It is in a position to achieve the special place it seeks without creating the international antagonisms that characterized the actions of some of the others. President Caldera intends this and has shown some skill at channeling national ambitions into constructive routes. Even if he succeeds in this, there is a question as to whether he can avoid the biggest pitfall ahead: electoral politics as the 1973 campaign approaches.

A Little History

Venezuela's long history of dictatorship and its tedious succession of strong men was a source of little pride to Venezuelans, who in those days had cause to feel inferior to other South American states. The Spanish colonists were disappointed in their search for gold and a great indigenous civilization such as those that they had found flourishing in Peru and Mexico. After a long and bloody war of independence from Spain, the Venezuelans fought among themselves and with their compatriots in the federation of Gran Colombia. In the process, they maligned and assassinated many of their founding fathers and drove the great liberator Simon Bolivar, himself a Venezuelan, to an early grave. Bolivar's Gran Colombia broke into independent states and Venezuela was too weak to prevent the eventual loss of territory to both the east and west.

Between 1835 and 1935, the country suffered a succession of regional rebellions, military coups, and brutal dictatorships. Finally in 1958, the last of the dictators, Marcos Perez Jimenez,

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was ousted and the struggle to implant a working democratic system began. The two Democratic Action governments under Romulo Betancourt (1959-64) and Raul Leoni (1964-69) survived many military second thoughts about civilian rule as well as a Cuban-supported insurgency.

The accession to the presidency of Rafael Caldera in March 1969 marked Venezuela's first peaceful transfer of power from one party to another. The transfer seemed to certify political maturity and to ensure the success story would continue. The guerrillas were defeated, democracy worked, and the nation was rich. Venezuelans were ready to shed their sense of inferiority and to test a new feeling of national identity. This new pride took many forms, from a "rediscovery" of vague indigenous values in music, art, and architecture to a major effort to diminish the country's dependence on outsiders. Although still considerably weaker than in other Latin countries, the new nationalism had its xenophobic side.

Some of this xenophobia had its roots in the "Colombian problem." In addition to the perennial boundary dispute, the presence of 400,000-500,000 "undocumented" Colombians living and working in Venezuela contributes to the anti-foreign feeling. The middle and lower classes particularly resent the Colombians' competition for scarce jobs and their acceptance of much lower wages. Another source of resentment was the wave of immigrants who came to Venezuela in the 1940s and 1950s, mostly industrious Italians, Portuguese, and Spaniards, who have on the whole done very well financially. As for anti-US feelings, the overwhelming US presence—companies, style of dress, movies, and music—makes such antipathy all but inevitable. President Caldera, who came to office with under 30 percent of the popular vote, has increased his political strength by playing on nationalistic themes.

His economic programs have had less success. The discrepancies between Venezuela's fabu-



President Caldera

lously rich and miserably poor have become more and more visible as a result of high birth rates among the poor, rapid urbanization, and the continued concentration of wealth. Despite impressive welfare programs, the government has been unable to keep pace with mounting social problems. Extremists have made effective use of the argument that nearly three terms of democratic government have failed to satisfy the needs of the increasing numbers of poor for housing, education, jobs, health care, and a better share of the country's wealth. In addition, disorders caused by criminals, delinquents, and others have created a yen for the good old days, i.e., the more disciplined era of Perez Jimenez. Indeed, *perez-jimenezismo* has emerged as a potential major challenge to the stability of the past 12 years.

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Nationalism Under Caldera

President Caldera and his Christian Democrats, having been put in office with the slimmest of pluralities, needed an alliance to govern. After a year of frustration with a congress still dominated by the Democratic Action, Caldera came to an agreement with its leaders whereby they have supported legislation and programs recognized by both parties to be fruitful. Caldera's prestige has been boosted by the legislation directed against foreign petroleum companies; by his successful shakeup of the armed forces, especially the

removal of the controversial General Garcia Villasmil from the Defense Ministry; and by his management of his party's national convention which, despite internal divisions, elected his candidate for secretary general last August.

His pacification policy has worked well. After nearly a decade of virtual civil war that found successive governments locked in a military and political struggle with Cuban-supported insurgents, the country was ready for a new political consensus. The extreme left, defeated and divided, was ready to deal with anyone other than

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its mortal enemy, the Democratic Action. Caldera legalized the Communist Party, offered amnesties to guerrillas and terrorists who would agree to return to legal political life, established a pacification commission under the Roman Catholic cardinal to negotiate with guerrilla units, ordered restraint in military countermeasures, and reined in the security police. The government quietly urged exile on guerrillas whose crimes were beyond presidential amnesty.

In a further gesture of good will, he set out to establish diplomatic relations with the Communist states of East Europe. Caldera, in effect, gave the far left a chance to restore its image and take up the nationalist banner. Further splits among the Marxists and the reduction of guerrilla action to a nuisance level have emphasized the success of Caldera's nationalist tack.

Caldera has also accelerated the trend toward loosening Venezuelan ties with the US and the expansion of ties with others. He identifies Venezuela's interests with those of the Third World, and has begun opening embassies in Africa and the Middle East.

Economic Nationalism

Caldera's most dramatic exercise of what he calls a policy of democratic nationalism has been directed against the big oil companies. One of the more basic and sweeping pieces of legislation, the "reversion" law passed last July, increases government involvement in the companies' operations, gives the state all the installations and equipment when the companies' concessions expire (most do in 1983), and compels the companies to deposit up to 10 percent of the amount they depreciate annually under present tax laws in a fund at the Venezuelan Central Bank.

Other sweeping controls have followed and more seem likely. The most recent, which combines a sharp rise in the price of crude oil along with an unprecedented quota system, could lead to a showdown.

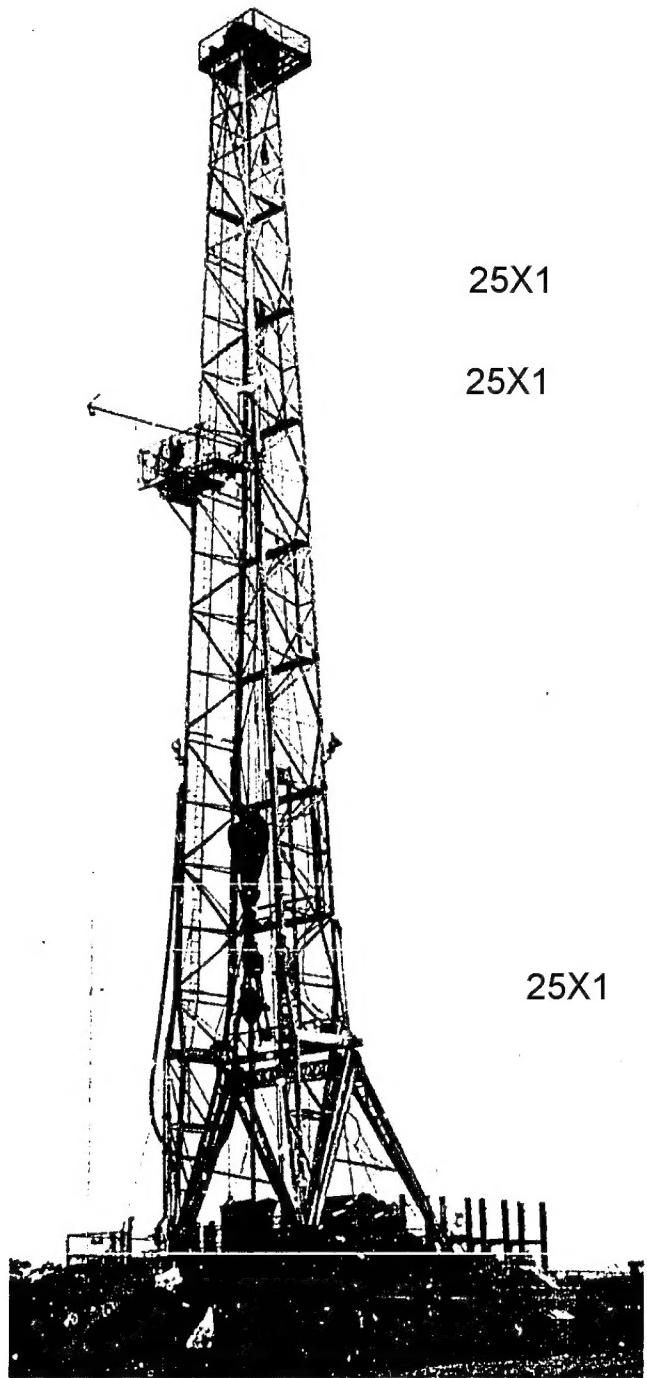
would be considerable. If the oil companies shut down, the resulting unemployment and economic disorientation would create a serious crisis. Even though the Venezuelans would be unable technically or managerially to operate the businesses effectively for the foreseeable future, the public and military would surely support nationalization.

Although President Caldera has given assurances that the petroleum legislation, no matter how it reads, will not be enforced in such a way as to put unreasonable demands on the companies, the government has already proved vulnerable to prodding by less responsible political elements. The latest price hike, for example, was apparently a result of the opposition's strident insistence that the administration's first proposals were a "sellout." The leftist opposition, a coalition called "New Force," having had this success in pushing for more extreme nationalist legislation, will obviously intensify its effort as it looks ahead to the elections in 1973. Taking heart from the Allende victory and Peruvian developments, the New Force has issued a program for

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government that predictably includes a call for the nationalization of all basic industry. Its radical program has great appeal, which is likely to broaden as the establishment parties try to ride the same wave of nationalism.

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